

Message Text

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ORIGIN EB-07

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AGRE-00 CIAE-00 COME-00 INR-07 LAB-04 NSAE-00
FRB-01 ITC-01 DODE-00 PA-02 PRS-01 L-03 H-02
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FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS IMMEDIATE

USMISSION GENEVA IMMEDIATE

USDEL MTN GENEVA IMMEDIATE

AMEMBASSY ABIDJAN PRIORITY

AMEMBASSY BANGKOK PRIORITY

AMCONSUL BELIZE PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMCONSUL CALI PRIORITY

AMEMBASSY CANBERRA PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMCONSUL DURBAN PRIORITY

USMISSION EC BRUSSELS PRIORITY

AMCONSUL GUAYAQUIL PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY KHARTOUM PRIORITY

AMEMBASSY LILONGWE PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY MAPUTO PRIORITY

AMEMBASSY MANILA PRIORITY

AMEMBASSY NEW DELHI PRIORITY

AMEMBASSY OTTAWA PRIORITY

AMEMBASSY PARIS PRIORITY

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AMEMBASSY PORT LOUIS PRIORITY

AMEMBASSY PRETORIA PRIORITY

AMCONSUL CAPE TOWN PRIORITY

AMCONSUL RIO DE JANEIRO PRIORITY

AMCONSUL SAO PAULO PRIORITY

AMEMBASSY SEOUL PRIORITY

AMEMBASSY STOCKHOLM PRIORITY

AMEMBASSY SUVA PRIORITY
AMEMBASSY TAIPEI PRIORITY
AMEMBASSY ANTANARIVO PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY VIENNA PRIORITY
AMEMBASSY MBABANE PRIORITY
USMISSION OECD PARIS PRIORITY
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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: SUGAR: PRESIDENT DETERMINES IMPORT QUOTAS NOT
IN NATIONAL ECONOMIC INTEREST

REF: (A) STATE 65705 (B) STATE 61188

1. FOLLOWING IS TEXT OF PRESS RELEASE ISSUED BY THE
OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS
DATED MAY 4 ANNOUNCING THE DISPOSITION OF THE UNITED
STATES INTERNATIONAL TRADE COMMISSION REPORT RECOMMENDING
THE IMPOSITION OF IMPORT QUOTAS AND A SERIES OF ACTIONS
AIMED AT MAINTAINING A VIABLE UNITED STATES SUGAR
INDUSTRY: BEGIN TEXT:

PRESIDENT CARTER DECIDED TODAY ON A SERIES OF ACTIONS
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AIMED AT MAINTAINING A VIABLE DOMESTIC SUGAR INDUSTRY.
THE PRESIDENT BELIEVES THAT IN THE LONG RUN IMPLEMENTATION
OF A WORKABLE INTERNATIONAL SUGAR AGREEMENT (ISA) PROVIDES
THE BEST MEANS FOR ACHIEVING THIS END. IN THE INTERIM
THE PRESIDENT HAS INSTRUCTED THE SECRETARY OF AGRICULTURE
TO INSTITUTE AN INCOME SUPPORT PROGRAM FOR PRODUCERS
OFFERING SUPPLEMENTAL PAYMENTS WHENEVER THE MARKET PRICE
FALLS BENEATH 13.5 CENTS A POUND.

AT THE SAME TIME, THE PRESIDENT DETERMINED THAT IMPORT
RELIEF, IN THE FORM OF IMPORT QUOTAS RECENTLY RECOMMENDED
ON MARCH 17 BY THE U.S. INTERNATIONAL TRADE COMMISSION
(USITC), WOULD NOT BE IN THE OVERALL NATIONAL ECONOMIC
INTEREST, INCLUDING THAT OF BOTH CONSUMERS AND PRODUCERS.

THESE ACTIONS WERE ANNOUNCED TODAY BY AMBASSADOR ROBERT
S. STRAUSS, THE PRESIDENT'S SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS.

IN THE PAST YEAR SUGAR PRICES HAVE FALLEN SHARPLY TO A POINT LESS THAN THE COSTS OF PRODUCTION FOR MANY U.S. GROWERS. THEREFORE, THE PRESIDENT HAS INSTRUCTED THE SECRETARY OF AGRICULTURE TO INSTITUTE AN INCOME SUPPORT PROGRAM WHICH WOULD PROVIDE SUPPLEMENTAL COMPENSATION TO GROWERS OF UP TO 2 CENTS A POUND FOR SALES AT MARKET PRICES BELOW 13.5 CENTS PER POUND. 13.5 CENTS IS THE ESTIMATED AVERAGE BREAK-EVEN PRICE FOR DOMESTIC SUGAR GROWERS. THIS WOULD BE AN INTERIM MEASURE, PENDING THE NEGOTIATION AND IMPLEMENTATION OF A NEW ISA AND WOULD NOT RAISE COSTS TO CONSUMERS.

THE PRESIDENT NOTED THAT THE U.S. IS ACTIVELY PARTICIPATING IN NEGOTIATIONS NOW UNDER WAY IN GENEVA FOR AN ISA, WHICH IF SUCCESSFUL WOULD PROVIDE LONG-TERM ASSURANCE OF GREATER STABILITY IN WORLD PRICES AND SUPPLIES. SUCCESSFUL IMPLEMENTATION OF AN ISA WOULD MAKE FURTHER CONSIDERATION

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TION OF UNILATERAL MEASURES BY THE U.S. UNNECESSARY.

THE PRESIDENT'S DECISION IS BASED ON AN INTERAGENCY REVIEW OF A REPORT BY THE USITC, WHICH FOUND THAT IMPORTS WERE A SUBSTANTIAL CAUSE OF A THREAT OF SERIOUS INJURY TO THE DOMESTIC INDUSTRY, AND RECOMMENDED A FIVE-YEAR IMPORT

QUOTA OF 4.275 MILLION SHORT TONS, RAW VALUE, FOR SUGAR IMPORTS, TO BE ALLOCATED AMONG SUPPLYING COUNTRIES.

THE INTERAGENCY REVIEW CONSIDERED THE USITC REPORT ON THE BASIS OF OVERALL NATIONAL ECONOMIC INTEREST CRITERIA SPELLED OUT IN THE TRADE ACT OF 1974.

THE PRESIDENT DETERMINED THAT A REMEDY INVOLVING IMPORT RESTRAINTS, ACHIEVED EITHER THROUGH IMPORT QUOTAS OR TARIFF INCREASES, WOULD NOT BE A DESIRABLE COURSE OF ACTION. IT WOULD RAISE PRICES TO CONSUMERS WITHOUT THE PROMISE OF OFF-SETTING PRICE STABILIZATION BENEFITS. IMPORTS RELIEF WOULD ALSO ADVERSELY AFFECT THE EXPORT EARNINGS OF A NUMBER OF DEVELOPING COUNTRIES WHICH

DEPEND ON SUGAR EXPORTS FOR THEIR ECONOMIC GROWTH AND PROSPERITY. THE U.S. STRONGLY BELIEVES THAT THE ECONOMIC DEVELOPMENT OF THESE COUNTRIES IS IN THE MUTUAL INTEREST OF THEMSELVES AND THE UNITED STATES.

THE PRESIDENT ALSO DIRECTED THE SPECIAL TRADE REPRESENTATIVE TO CONTINUE TO FOLLOW THE SUGAR IMPORT SITUATION CLOSELY AND TO ADVISE HIM IN CONSULTATION WITH THE SECRETARY OF AGRICULTURE OF ANY NEED FOR CONSIDERATION

OF FURTHER ACTIONS.

IN CONNECTION WITH HIS DECISION ON THE USITC REPORT, THE

PRESIDENT ALSO CONCURRED WITH THE DETERMINATION OF THE
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INTERAGENCY TRADE POLICY STAFF COMMITTEE (TPSC) THAT SUGAR
WILL CONTINUE TO RECEIVE DUTY-FREE TREATMENT FROM
ELIGIBLE DEVELOPING COUNTRIES UNDER THE GENERALIZED SYSTEM
OF PREFERENCES (GSP). A PETITION SUBMITTED TO STR BY THE
AMERICAN FARM BUREAU FEDERATION, REQUESTING THAT SUGAR
BE WITHDRAWN FROM THE LIST OF GSP-ELIGIBLE PRODUCTS, WAS
THEREFORE DENIED.

THE TPSC FOUND THAT IMPORTS OF SUGAR UNDER GSP ACCOUNT
FOR A RELATIVELY SMALL PERCENTAGE (17 PERCENT) OF TOTAL
SUGAR IMPORTS, AND MORE IMPORTANTLY DO NOT SIGNIFICANTLY
AFFECT THE U.S. PRICE LEVEL. REMOVAL OF SUGAR FROM GSP
WOULD ALSO BE CONTRARY TO THE U.S. POLICY OF ENCOURAG-
ING MUTUALLY BENEFICIAL DEVELOPMENT OF THE ECONOMIES OF
LESS-DEVELOPED NATIONS. MAJOR DEVELOPING COUNTRY
SUPPLIERS OF SUGAR EXPORTS TO THE U.S. HAVE NOT BEEN,
AND WILL NOT BE, ELIGIBLE FOR GSP UNDER THE PROVISIONS
OF THE PROGRAM WHICH LIMIT ITS BENEFITS.
END TEXT. VANCE

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